

**TOWNSHIP OF DANBY
IONIA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS**

Fiscal Year Ended March 31, 2013

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Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Members of the Township Board
Township of Danby
Ionia County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type of the Danby Township, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Danby Township, Michigan's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of Danby Township, Michigan, as of and for the year ended March 31, 2013, as displayed in the Township's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, as well as each fiduciary fund type of the Danby Township, Michigan, as of March 31, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Barry E. Gaudette, CPA, PC

October 24, 2013

TOWNSHIP OF DANBY
GOVERNMENT WIDE STATEMENT OF NET ASSETS
March 31, 2013

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 333,587
Certificate of deposits	452,473
Receivables	5,401
Prepaid insurance	6,118
Internal receivables	16,866
TOTAL CURRENT ASSETS	814,445
 NON-CURRENT ASSETS	
Property and equipment, net of depreciation	198,910
TOTAL ASSETS	1,013,355
 LIABILITIES and NET POSITION	
CURRENT LIABILITIES	
Accounts payable	1,958
CURRENT LIABILITIES	1,958
 NET POSITION	
Invested in capital assets	198,910
Nonspendable for:	
Prepaid insurance	6,118
Unassigned	806,369
TOTAL NET POSITION	\$ 1,011,397

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF DANBY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges For Services	Operating Grants And Contribution	Capital Grants And Contributions	
Governmental Activities:					
Legislative	\$ 31,178	\$ 0	\$ 0	\$ 0	\$ (31,178)
General government	141,030	8,183	0	0	(132,847)
Public safety	51,944	0	0	0	(51,944)
Public works	123,866	5,433	0	4,403	(114,030)
Health & welfare	36,373	0	0	0	(36,373)
Community planning	5,661	0	0	0	(5,661)
TOTAL	\$ 390,052	\$ 13,616	\$ 0	\$ 4,403	(372,033)

GENERAL REVENUES

Property taxes & related fees	142,637
Licenses & permits	525
State shared revenues and grants	221,789
Hall rents	1,164
Unrestricted investments earnings	3,126
Miscellaneous	2,979
Transfers in, net	3,387
TOTAL	375,607

CHANGE IN NET POSITION

Net position – beginning	1,007,823
NET POSITION – ENDING	\$ 1,011,397

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF DANBY
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
March 31, 2013

	General	Fire	Public Improvement	Improvement Revolving
ASSETS				
Cash and equivalents	\$ 228,167	\$ 60,941	\$ 0	\$ 11,370
Certificate of deposits	0	0	191,572	165,341
Taxes receivable	3,771	1,630	0	0
Due from other funds	16,866	0	0	0
Prepaid insurance	6,118	0	0	0
TOTAL ASSETS	\$ 254,922	\$ 62,571	\$ 191,572	\$ 176,711
LIABILITIES				
Accounts payable	\$ 1,958	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	1,958	0	0	0
FUND BALANCE				
Nonspendable for:				
Prepaid insurance	6,118	0	0	0
Public improvement	0	0	191,572	0
Improvement revolving	0	0	0	176,711
Road and bridge	0	0	0	0
Restricted	0	62,571	0	0
Unassigned	246,846	0	0	0
TOTAL FUND BALANCE	252,964	62,571	191,572	176,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 254,922	\$ 62,571	\$ 191,572	\$ 176,711

The Notes to Financial Statements are an integral part of this statement.

Road & Bridge	Other Governmental Funds	Total Governmental Funds
\$ 29,559	\$ 3,550	\$ 333,587
95,560	0	452,473
0	0	5,401
0	0	16,866
0	0	6,118
<u>\$ 125,119</u>	<u>\$ 3,550</u>	<u>\$ 814,445</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,958</u>
<u>0</u>	<u>0</u>	<u>1,958</u>
0	0	6,118
0	0	191,572
0	0	176,711
125,119	0	125,119
0	0	62,571
0	3,550	250,396
<u>125,119</u>	<u>3,550</u>	<u>812,487</u>
<u>\$ 125,119</u>	<u>\$ 3,550</u>	<u>\$ 814,445</u>

TOWNSHIP OF DANBY
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
March 31, 2013

Total fund balance – total governmental funds	\$ 812,487
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	198,910
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,011,397</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF DANBY
ALL GOVERNMENTAL FUNDS TYPES
COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended March 31, 2013

	<u>General</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Improvement Revolviing</u>
REVENUE				
Property taxes & related fees	\$ 93,947	\$ 48,690	\$ 0	\$ 0
Licenses & permits	525	0	0	0
State shared revenues & grants	226,192	0	0	0
Charges for services	4,083	0	0	0
Interest & rentals	1,325	80	968	1,348
Other:				
Miscellaneous	2,979	0	0	0
Special assessments	5,189	0	0	0
Sale of cemetery lots	1,934	0	0	0
Sale of cemetery foundations	2,166	0	0	0
Transfers in(out)	23,387	0	0	0
TOTAL REVENUES	<u>361,727</u>	<u>48,770</u>	<u>968</u>	<u>1,348</u>
EXPENDITURES				
Legislative	31,178	0	0	0
General government	134,610	0	0	0
Public safety	0	50,938	0	0
Public works	123,843	0	0	0
Health & welfare	36,373	0	0	0
Community planning & zoning	5,661	0	0	0
Transfers (out)	0	0	0	0
TOTAL EXPENDITURES	<u>331,665</u>	<u>50,938</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,062	(2,168)	968	1,348
Fund balance – beginning	<u>222,902</u>	<u>64,739</u>	<u>190,604</u>	<u>175,363</u>
Fund balance – ending	<u>\$ 252,964</u>	<u>\$ 62,571</u>	<u>\$ 191,572</u>	<u>\$ 176,711</u>

The Notes to Financial Statements are an integral part of this statement.

Road & Bridge	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 142,637
0	0	525
0	0	226,192
0	0	4,083
567	2	4,290
0	0	2,979
0	244	5,433
0	0	1,934
0	0	2,166
0	0	23,387
567	246	413,626
0	0	31,178
0	0	134,610
0	0	50,938
23	0	123,866
0	0	36,373
0	0	5,661
20,000	0	20,000
20,023	0	402,626
(19,456)	246	11,000
144,575	3,304	801,487
\$ 125,119	\$ 3,550	\$ 812,487

TOWNSHIP OF DANBY
**RECONCILIATION OF STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**
Year ended March 31, 2013

Net change in fund balance – total governmental funds	\$ 11,000
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation	<u>(7,426)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,574</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF DANBY
COMBINED STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
March 31, 2013

	Non-Expendable Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 13,826	\$ 16,866
Certificate of deposits	20,149	0
TOTAL ASSETS	33,975	16,866
LIABILITIES		
Due to other funds	0	16,866
Due to other governmental units	0	0
TOTAL LIABILITIES	0	16,866
NET POSITION		
Held in trust for other purposes	\$ 33,975	\$ 0

The Notes to Financial Statements are an integral part of this Statement.

TOWNSHIP OF DANBY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
March 31, 2013

	Non-Expendable Trust Fund	Agency Fund
	<hr/>	<hr/>
ADDITIONS		
Property tax collections, special assessments and fees	\$ 0	\$ 2,552,309
Interest earnings	653	187
Cemetery lot sales	356	0
	<hr/>	<hr/>
Total additions	1,009	2,552,496
	<hr/>	<hr/>
DEDUCTIONS		
Payments to general fund	3,387	93,947
Payments to fire fund	0	48,690
Payments to other governmental units	0	2,409,859
	<hr/>	<hr/>
Total deductions	3,387	2,552,496
	<hr/>	<hr/>
Changes in net assets	(2,378)	0
Net position – beginning	36,353	0
	<hr/>	<hr/>
Net position – ending	<u>\$ 33,975</u>	<u>\$ 0</u>

The Notes to Financial Statements are an integral part of this Statement.

TOWNSHIP OF DANBY
COMBINED STATEMENT OF CASH FLOWS
ALL NON-EXPENDABLE TRUST FUNDS
Year Ended March 31, 2013

	Fiduciary Fund Types
	Non-Expendable Trust
CASH FLOWS FROM OPERATIONS ACTIVITIES	
Cemetery lot sales	\$ 356
CASH PROVIDED BY OPERATING ACTIVITIES	356
CASH FLOWS FROM NON-OPERATING ACTIVITIES	
Transfers out	(3,387)
CASH (USED) BY NON-OPERATING ACTIVITIES	(3,387)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash equivalents	653
CASH PROVIDED BY INVESTING ACTIVITIES	653
INCREASE IN CASH AND CASH EQUIVALENTS	(2,378)
Cash and cash equivalents, beginning	36,353
Cash and cash equivalents, ending	\$ 33,975

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Danby (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is governed by an elected five member board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended. The Township of Danby has jointly formed a Fire District with the Village of Sunfield, and the Townships of Sunfield and Danby.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current Property Taxes

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over Ionia County, which advances the Township 100% for the delinquent taxes.

The 2012 real and personal taxable valuation of the Township totaled \$86,999,457, on which ad valorem taxes levied consisted of 0.7723 mills for Township operating purposes and another 0.0593 mills for drain at large. These amounts are recognized in the General Fund as current tax revenue as well as the administrative fees of \$25,834 to collect the taxes, applicable interest, and personal property taxes.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *fire fund* is a special revenue fund that accounts for the collection of a tax levy for the Portland area. The mills assessed for the Portland area is 0.8000.

The *public improvement fund* is a special revenue fund that was created in 1980 to account for monies that are restricted for public improvements.

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds (continued):

The *improvement revolving fund* is a special revenue fund that was created in 1984 to account for monies that are not restricted and can be used whenever they are needed. The fund cannot exceed five mills of SEV.

The *road and bridge fund* is a special revenue fund that was created in 1989 to account for monies for the maintenance, repair and improvements of roads and bridges in the Township.

Additionally, the government reports the following fund types:

The *pearl barr lighting* and *cemetery building funds* are special revenue funds.

Additionally, the government reports the following fiduciary fund type:

These funds are used to account for assets held in trust or as an agent for others. The Township has two fiduciary funds as follows:

Agency Fund

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Non-expendable Trust Funds

The measurement focus of the non-expendable trust funds should be accounted for on the accrual basis. The Township's *cemetery perpetual care, Shuman-Rumfield, Wm. B. Shuman, Alice A. Fishbeck, D.F. Deatsman, Wm. J. Browne, and Benton Stiffler* are non-expendable trust funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then restricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “due to/from other funds”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets; which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINEUD)

Assets, Liabilities, and Net Assets or Equity (Continued)

The Township has elected not to report its' infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a "tier three" entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 40 years
Machinery and equipment	7 years
Office furniture and equipment	5 years
Land improvements	15 years

Compensated Absences (Vacation, Personal and Sick Leave) – The Township does not have compensated absence policy.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – CASH AND INVESTMENTS

MCL 129.91 authorizes the Township to deposit and invest in the accounts of Federal insured banks. Credit unions, savings and loan associations; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE B – CASH AND INVESTMENTS (CONTINUED)

The Township has designated eight banks for the deposit of Township funds. The investments policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized only a portion of the investments described in the preceding paragraph. The Township’s deposits and investment policy are in accordance with statutory authority.

At year end, the Township’s deposits and investments were reported on the basic financial statements in the following categories:

Bank deposits (demand and times deposits)	\$	899,482
TOTAL (includes trust and agency funds)	\$	<u>899,482</u>

The federal insured bank balance of the Township’s deposits is \$809,623.

NOTE C – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGET FUNDS

P.A. of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

Included in the “Required Supplemental Information” section of this report is a listing of revenues and expenditures for the budgetary funds. The schedules reflect the original budget, amended budget and actual amounts for each of the fund’s activities. One unfavorable variance occurred during the year under the elections activity.

NOTE D - RECEIVABLES

The Township is owed delinquent property taxes from the County of Ionia in the amount of \$5,401 as of March 31, 2013.

NOTE E – INTERFUND TRANSFERS

The following interfund transfers were recorded during the year and is reflected in the financial statements.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Shuman Rumfield Trust Fund	General	\$ 3,387
Road and Bridge	General	20,000

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE F – INTERFUND RECEIVABLE AND PAYABLE

The March 31, 2013, balances of interfund receivables and payables are as follows:

Due From	Due to	Amount
Tax collection	General	\$ 16,866

NOTE G – CHANGES IN CAPITAL ASSETS

Capital asset activity for the Township for the year ended March 31, 2013 was as follows:

	Beginning	Additions	Disposals	Ending
Governmental Funds:				
Assets not depreciated				
Land & improvements	\$ 96,749	\$ 0	\$ 0	\$ 96,749
Assets depreciated:				
Buildings & improvements:				
Emergency services building	40,265	0	0	40,265
Township hall	149,629	0	0	149,629
Cemetery building & grounds	48,565	0	0	48,565
Machinery & equipment	2,000	0	0	2,000
Office equipment	9,163	0	0	9,163
Total at Historic Cost	346,371	\$ 0	\$ 0	346,371
Less Accumulated Depreciation for:				
Buildings & improvements:				
Emergency services building	(23,152)	\$ (1,006)	\$ 0	(24,158)
Township hall	(94,713)	(4,520)	0	(99,233)
Cemetery building & grounds	(11,146)	(1,761)	0	(12,907)
Machinery & equipment	(1,861)	(139)	0	(2,000)
Office equipment	(9,163)	0	0	(9,163)
Total Accumulated Depreciation	(140,035)	\$ (7,426)	\$ 0	(147,461)
Net Governmental Funds-Capital Assets	\$ 206,336			\$ 198,910

Depreciation expense was charged to functions/programs of the government as follows:

Governmental-type activities:	
General government	\$ 6,420
Public safety	1,006
Totals	\$ 7,426

TOWNSHIP OF DANBY
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE H – RISK MANAGEMENT

The Township of Danby is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of Danby maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE I – PENSION PLAN

The Township paid \$11,585 during the fiscal year 2012/2013 to fund a defined contribution pension plan for participants with the John Hancock Life Insurance Company. This amount consists of contributions from both the Township and participants. Participant contributions are not required and voluntary non-deductible contributions are allowed.

The pension plan has:

- a) no minimum service requirements;
- b) all members of the Board are eligible and full time employees;
- c) the Township shall annually contribute 100 percent premiums or charges based on contributions of 20 percent of annual salary (minimum cost is \$300), and:
- d) immediate payoff is available.

REQUIRED
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 203,974	\$ 203,974	\$ 222,902	\$ 18,928
Resources (Inflows):				
Property taxes & related fees	88,100	88,100	93,947	5,847
License and permits	750	750	525	(225)
State shared revenues and grants	168,000	168,000	226,192	58,192
Charges for services	3,000	3,000	4,083	1,083
Interest and rentals	1,000	1,000	1,325	325
Other revenue:				
Miscellaneous	3,500	3,500	2,979	(521)
Special assessments	5,800	5,800	5,189	(611)
Sale of cemetery lots	1,000	1,000	1,934	934
Sale of cemetery foundations	1,200	1,200	2,166	966
Transfers in	20,000	20,000	23,387	3,387
AMOUNTS AVAILABLE FOR APPROPRIATION	496,324	496,324	584,629	88,305
Charges to Appropriations(Outflows)				
Legislative:				
Township Board	34,320	34,320	31,178	3,142
General Government:				
Supervisor	15,800	15,800	15,263	537
Treasurer	26,434	26,434	23,830	2,604
Assessing	17,500	17,500	14,534	2,966
Clerk	21,934	21,934	20,948	986
Elections	4,300	4,300	6,509	(2,209)
Buildings & grounds	16,050	16,050	5,624	10,426
All other general government:				
Board of review	1,480	1,480	1,014	466
Cemetery	21,910	29,910	26,615	3,295
Retirement program	15,500	15,500	12,372	3,128
Snow plowing	750	750	560	190
Insurance & bonds	9,000	9,000	7,341	1,659
Public Works:				
Drain at large	5,800	5,800	2,662	3,138
Dust control	32,000	32,000	28,591	3,409
Road maintenance	140,000	140,000	92,590	47,410
Health & Welfare:				
Ambulance	40,000	40,000	36,154	3,846
PAMA-salary	1,200	1,200	219	981

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2013
(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Charges to Appropriations(Outflows)				
Continued:				
Community/economic development:				
Planning commission	5,750	5,750	1,521	4,229
Zoning administrator	9,960	9,960	4,140	5,820
Zoning board of appeals	350	350	0	350
Contingency	36,786	28,786	0	28,786
TOTAL CHARGES TO APPROPRIATIONS	<u>456,824</u>	<u>456,824</u>	<u>331,665</u>	<u>125,159</u>
BUDGETARY FUND BALANCE- ENDING	<u>\$ 39,500</u>	<u>\$ 39,500</u>	<u>\$ 252,964</u>	<u>\$ 213,464</u>

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
Year ended March 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance With Amended Budget
Beginning Fund Balance	\$ 64,739	\$ 64,739	\$ 64,739	\$ 0
Resources (Inflows):				
Property taxes	48,837	48,837	48,690	(147)
Interest income	<u>150</u>	<u>150</u>	<u>80</u>	<u>(70)</u>
 AMOUNTS AVAILABLE FOR APPROPRIATION	 <u>113,726</u>	 <u>113,726</u>	 <u>113,509</u>	 <u>(217)</u>
Charges to Appropriations(Outflows)				
Public safety:				
Fire service services	<u>53,535</u>	<u>53,535</u>	<u>50,938</u>	<u>2,597</u>
 TOTAL CHARGES TO APPROPRIATIONS	 <u>53,535</u>	 <u>53,535</u>	 <u>50,938</u>	 <u>2,597</u>
 BUDGETARY FUND BALANCE- ENDING	 <u>\$ 60,191</u>	 <u>\$ 60,191</u>	 <u>\$ 62,571</u>	 <u>\$ 2,380</u>

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
PUBLIC IMPROVEMENT FUND
Year ended March 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance With Amended Budget
Beginning Fund Balance	\$ 190,604	\$ 190,604	\$ 190,604	\$ 0
Resources (Inflows):				
Interest income	<u>1,200</u>	<u>1,200</u>	<u>968</u>	<u>(232)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>191,804</u>	<u>191,804</u>	<u>191,572</u>	<u>(232)</u>
Charges to Appropriations(Outflows)				
General Government:				
Transfers (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
BUDGETARY FUND BALANCE- ENDING	<u><u>\$ 191,804</u></u>	<u><u>\$ 191,804</u></u>	<u><u>\$ 191,572</u></u>	<u><u>\$ (232)</u></u>

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT REVOLVING FUND
Year ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 175,363	\$ 175,363	\$ 175,363	\$ 0
Resources (Inflows):				
Interest income	1,700	1,700	1,348	(352)
AMOUNTS AVAILABLE FOR APPROPRIATION	177,063	177,063	176,711	(352)
Charges to Appropriations(Outflows)				
General Government:				
Transfers (out)	0	0	0	0
TOTAL CHARGES TO APPROPRIATIONS	0	0	0	0
BUDGETARY FUND BALANCE- ENDING	\$ 177,063	\$ 177,063	\$ 176,711	\$ (352)

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
Year ended March 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance With Amended Budget
Beginning Fund Balance	\$ 144,575	\$ 144,575	\$ 144,575	\$ 0
Resources (Inflows):				
Interest income	600	600	567	(33)
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>(20,000)</u>
 AMOUNTS AVAILABLE FOR APPROPRIATION	 <u>165,175</u>	 <u>165,175</u>	 <u>145,142</u>	 <u>(20,033)</u>
Charges to Appropriations(Outflows)				
Public Works:				
Miscellaneous	0	0	23	(23)
Transfers (out)	<u>30,000</u>	<u>30,000</u>	<u>20,000</u>	<u>10,000</u>
 TOTAL CHARGES TO APPROPRIATIONS	 <u>30,000</u>	 <u>30,000</u>	 <u>20,023</u>	 <u>9,977</u>
 BUDGETARY FUND BALANCE- ENDING	 <u>\$ 135,175</u>	 <u>\$ 135,175</u>	 <u>\$ 125,119</u>	 <u>\$ (10,056)</u>

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
PEARL BARR LIGHTING FUND
Year ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 344	\$ 344	\$ 344	\$ 0
Resources (Inflows):				
Special assessments	1,053	1,053	244	(809)
AMOUNTS AVAILABLE FOR APPROPRIATION	1,397	1,397	588	(809)
Charges to Appropriations(Outflows)				
Public Works:				
Electric service	0	0	0	0
TOTAL CHARGES TO APPROPRIATIONS	0	0	0	0
BUDGETARY FUND BALANCE- ENDING	\$ 1,397	\$ 1,397	\$ 588	\$ (809)

TOWNSHIP OF DANBY
BUDGETARY COMPARISON SCHEDULE
CEMETERY BUILDING FUND
Year ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 0	\$ 0	\$ 2,960	\$ 2,960
Resources (Inflows):				
Interest income	0	0	2	2
AMOUNTS AVAILABLE FOR APPROPRIATION	0	0	2,962	2,962
Charges to Appropriations(Outflows)				
General Government:				
Capital outlay	0	0	0	0
TOTAL CHARGES TO APPROPRIATIONS	0	0	0	0
BUDGETARY FUND BALANCE- ENDING	\$ 0	\$ 0	\$ 2,962	\$ 2,962

ADDITIONAL INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Pearl Barr Lighting Fund – The Pearl Barr I Special Assessment District was established in 1993. A fee per lot is assessed for streetlights in the Pearl Barr I subdivision. \$81.00 per lot is spread. The Pearl Barr II Special Assessment District was established in 1997. A fee per lot is spread for streetlights in Pearl Barr II subdivision. \$45.78 per lot is spread.

Cemetery Building Fund – This fund collects monies for the purpose of cemetery building improvements.

TOWNSHIP OF DANBY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2013

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Pearl Barr Lighting</u>	<u>Cemetery Building</u>	
ASSETS			
Cash and cash equivalents	\$ 588	\$ 2,962	\$ 3,550
TOTAL ASSETS	<u>\$ 588</u>	<u>\$ 2,962</u>	<u>\$ 3,550</u>
FUND BALANCES			
Unreserved, designated	\$ 588	\$ 2,962	\$ 3,550
TOTAL FUND BALANCES	<u>\$ 588</u>	<u>\$ 2,962</u>	<u>\$ 3,550</u>

TOWNSHIP OF DANBY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2013

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Pearl Barr Lighting</u>	<u>Cemetery Building</u>	
REVENUES			
Interest earnings	\$ 0	\$ 2	\$ 2
Special assessments	244	0	244
TOTAL REVENUES	<u>244</u>	<u>2</u>	<u>246</u>
EXPENDITURES			
Public Works:			
Electric service	0	0	0
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	244	2	246
Fund balance – beginning	<u>344</u>	<u>2,960</u>	<u>3,304</u>
Fund balance – ending	<u>\$ 588</u>	<u>\$ 2,962</u>	<u>\$ 3,550</u>

Non-Expendable Trust Funds

Cemetery Perpetual Care Fund – This fund was created in 1988. Fifteen percent of each lot sale is put into this fund for the future care of the cemetery.

Shuman Rumfield Trust Fund – \$19,000.00 was bequeathed to Danby Township by Clarinda Rumfield. The principal must stay intact. The interest is used for the care of the cemetery.

Other Non-Expendable Trust Funds

Wm. B. Shuman, Alice A. Fishbeck Estate, D. F. Deatsman, Wm. J. Browne Estate, and Benton Stiffler Trust Funds

TOWNSHIP OF DANBY
COMBINING BALANCE SHEET
NON-EXPENDABLE TRUST FUNDS
March 31, 2013

	Non-Expendable Trust Funds		
	Cemetery Perpetual Care	Shuman Rumfield	Wm. B. Shuman
ASSETS			
Cash and cash equivalents	\$ 11,204	\$ 2,095	\$ 65
Certificate of deposits	1,866	17,000	272
	\$ 13,070	\$ 19,095	\$ 337
NET POSITION			
Held in trust for other purposes	\$ 13,070	\$ 19,095	\$ 337
	\$ 13,070	\$ 19,095	\$ 337

<u>Alice A. Fishbeck Estate</u>	<u>D.F. Deatsman</u>	<u>Wm. J. Browne Estate</u>	<u>Benton Stiffler</u>	<u>Totals</u>
\$ 31	\$ 175	\$ 131	\$ 125	\$ 13,826
<u>129</u>	<u>338</u>	<u>272</u>	<u>272</u>	<u>20,149</u>
<u>\$ 160</u>	<u>\$ 513</u>	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 33,975</u>
<u>\$ 160</u>	<u>\$ 513</u>	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 33,975</u>
<u>\$ 160</u>	<u>\$ 513</u>	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 33,975</u>

TOWNSHIP OF DANBY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NON-EXPENDABLE TRUST FUNDS
For The Year Ended March 31, 2013

	Non-Expendable Trust Funds		
	Cemetery Perpetual Care	Shuman Rumfield	Wm. B. Shuman
ADDITIONS			
Cemetery lot sales	\$ 356	\$ 0	\$ 0
Interest earnings	72	550	7
	428	550	7
TOTAL REVENUES	428	550	7
DEDUCTIONS			
Transfer out	0	3,387	0
	428	(2,837)	7
CHANGE IN NET ASSETS	428	(2,837)	7
Net assets – beginning	12,642	21,932	330
	12,642	21,932	330
Net assets - ending	\$ 13,070	\$ 19,095	\$ 337
	13,070	19,095	337

Alice A. Fishbeck Estate	D.F. Deatsman	Wm. J. Browne Estate	Benton Stiffler	Totals
\$ 0	\$ 0	\$ 0	\$ 0	\$ 356
<u>4</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>653</u>
4	6	7	7	1,009
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,387</u>
4	6	7	7	(2,378)
<u>156</u>	<u>507</u>	<u>396</u>	<u>390</u>	<u>36,353</u>
<u>\$ 160</u>	<u>\$ 513</u>	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 33,975</u>

TOWNSHIP OF DANBY
AUDIT FINDINGS
Year ended March 31, 2013

2013-01 FINANCIAL REPORTING CYCLE

Condition/Criteria: The year-end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is not recording all accruals at year end.

Cause of Condition: Failure to record all accruals in the general ledger.

Effect: Because not all of the accruals are being recorded in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing accrual accounting and often operate on the modified cash basis.

Management Response – Corrective Action Plan: Elizabeth Kalarik, Treasurer is the contact person responsible for the correction. The Township board closely monitors financial activity, and the board will determine the cost-effectiveness of implementing accrual accounting on an annual basis. The anticipated date of completion is unknown.

2013-02 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the Township did not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: I assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: I do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan: Elizabeth Kalarik, Treasurer is the contact person responsible for the correction. Management concurs with this recommendation. The anticipated date of completion is unknown.

TOWNSHIP OF DANBY
AUDIT FINDINGS (CONTINUED)
Year ended March 31, 2013

2013-03 SEGREGATION OF DUTIES-TOWNSHIP

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. The Township Clerk and Treasurer have responsibility for more than one of the three components of internal control.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Responses – Corrective Action Plan: Elizabeth Kalarik, Treasurer is the contact person responsible for the correction. The Board of Trustees closely monitors all payments and reviews the financial statements on a monthly basis. The anticipated date of completion is unknown.

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Members of the Township Board
Township of Danby
Ionia County, Michigan

We have audited the financial statements of the governmental activities, each major fund, as well as each fiduciary fund type of Danby Township, Michigan for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 24, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Danby Township, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Township's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Danby Township and is not intended to be, and should not be, used by anyone other than the Township Board.

Barry E. Gaudette, CPA, PC

October 24, 2013